# RR MetalMakers India Limited

April 02, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 6.50 | CARE B+ (RWD) | Continues to be on Rating Watch with Developing Implications |
| Short Term Bank Facilities | 18.50 | CARE A4 (RWD) | Continues to be on Rating Watch with Developing Implications |

Details of instruments/facilities in Annexure-1.

## Rationale and key rating drivers

The continuation of "Rating Watch with Developing Implications (RWD)" placed to the ratings of bank facilities of RRMIL follows the company's announcement dated February 28, 2025, wherein the directors have considered and approved, in-principle, the proposal for merger of RRMIL with RKB Global Limited (RKB), an unlisted entity, of which promoters of the company are similar. Further, it is also proposed to merge RKB Steel Private Limited and RR Life Care Private Limited, the wholly owned subsidiaries of RKB Global Limited, with RKB along with RRMIL. The proposed merger would bring synergies in business and reduction in costs of the merged entity. CARE Ratings will continue to closely monitor developments on this announcement and would take a view accordingly on RRMIL's ratings post-merger.

The reaffirmation in the ratings assigned to the bank facilities of RRMIL are constrained by moderate albeit fluctuating scale of operations and low networth base, thin profit margins, leveraged capital structure and weak debt coverage indicators. The ratings further considered by its working capital-intensive nature of operations, stretched liquidity, highly competitive and cyclical nature of industry and susceptibility of profit margins to price fluctuation in prices of traded products.

The ratings, however, derive strength from the experienced & resourceful promoters and their long track record of operations in steel industry. The established relationship with diversified customer base and moderately concentrated supplier base also provides strength to its ratings.

## Rating sensitivities: Factors likely to lead to rating actions

### Positive factors

- Improvement in scale of operations with total operating income (TOI) exceeding Rs.150 crore on sustained basis.
- Improvement in operating margin to above 5% and net profit margin to above 3% on a sustained basis.
- Improvement in capital structure with overall gearing below 2.0x on sustained basis.
- Timely conversion of iron-ore inventory into sales with profits.

### Negative factors

- Substantial elongation in working capital cycle marked by operating cycle days of above 75 days.
- Deterioration of current ratio to less than 1.00x on sustained basis.
- Additional debt being availed resulting in deterioration in overall gearing exceeding 5.00x on a sustained basis.
- Any adverse outcome of court proceedings impacting the liquidity position of the company

**Analytical approach:** Standalone

**Outlook:** Not Applicable

## Detailed description of key rating drivers:

## Key weaknesses

**Moderate albeit fluctuating scale of operations and low networth base**

The TOI of RRMIL remained moderate and fluctuating in the past. RRMIL was previously involved in trading of steel products and iron ore. However, in FY21, there were several restrictions on the trading of iron ore. This coupled with the fluctuating demand and prices of steel led to fluctuating scale of operation in past (FY19-22). The TOI of RRMIL improved from Rs. 84.17 crore in FY23 to Rs. 96.39 crore in FY24, (registering an improvement of 14.52%). Further during 9MFY25 (from April to December 2024)

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

the company recorded sales of Rs.50.39 crore. Further, the tangible net-worth base remained low at Rs. 6.59 crore as on March 31, 2024 (vis-à-vis Rs. 5.54 crore as on March 31, 2023).

**Moderate profit margins**
The profitability margins of RRMIL remained low and fluctuating as it directly linked with the raw material prices of steel. Further, operating profit margin of RRMIL largely remained moderate majorly due to trading nature of the business where there is limited value addition along with intense competition in the steel industry. The PBILDT margin, improved from 3.43% in FY23 to 6.16% in FY24 mainly on account of improved realisations on traded goods. With above coupled with high interest cost and depreciation cost, the company had reported net loss in FY23. However, in FY24, the PAT margin turned positive at 1.09% due to improvement in PBILDT margin. Further for 9MFY25, The PBILDT and PAT margins stood at 8.23% and 2.46% respectively.

**Leveraged capital structure and debt coverage indicators**
The capital structure of the company continues to remain leveraged marked by higher working capital borrowings and higher purchase of goods on LC given its trading nature of business. Also, given its limited value addition as a result of trading nature of business debt coverage indicators continue to remain weak. RRMIL's overall gearing stood at 4.74x as on March 31, 2024, as against 6.42x as on March 31, 2023. Further, the company has dropped the capex plan outlined during last year and there is no ongoing or planned capex in the near future.
Further, total debt to gross cash accruals (TD/GCA) stood remained weak at 20.01x in FY24 as against negative GCA in FY23. The interest coverage ratio improved marginally and stood low at 1.35x in FY24 (vis-à-vis 0.72x in FY23).

**Working capital intensive nature of operations**
The operations of RRMIL stood working capital intensive in nature marked by gross current assets period of 168 days in FY24 (vis-à-vis 155 days in FY23) due to majority of funds being utilized in receivables and inventory. The company is required to maintain a steady level of inventory for a wide portfolio of products in order to meet the regular flow of demand, thus inventory period improved albeit stood elongated at 83 days in FY24 (vis-à-vis 98 days in FY23). The company also provides a credit period 30-45 days to its customers due to intense competition in the industry. Thus, collection period also stood at 37 days in FY24 (vis-à-vis 49 days in FY23).

**Highly competitive and cyclical nature of industry**
RRMIL is operating in a highly competitive industry due to the presence of various organized and unorganized players involved in the trading of various steel products. Although, over the years the industry has become more organized with the share of unorganized players reducing, but margins continue to be under pressure due to fragmentation of the industry. Also, the steel industry is sensitive to the shifting business cycles including changes in the general economy, interest rates and seasonal changes in the demand and supply conditions in the market.

## Key strengths

**Long track record of operations in manufacturing & trading of steel products**
Established in the year 1995, RR Metalmakers is primarily engaged in trading of iron ore, steel and steel products. So RRMIL possesses a long track record of about three decades of operations in manufacturing & trading of various steel products. Until FY21, the company was involved in only trading of steel and iron products. However, since FY21 onwards, it set up its manufacturing units in Gujarat which has a capacity of 800 MT per month and started manufacturing ERW pipes and roofing sheets. The company has a portfolio of over 20 products and caters to customers across the globe over the years. As a result of its long-standing existence, the company has established long-term relationships with its various customers, suppliers and other stakeholders.

**Experienced and resourceful promoters**
The company is promoted by Mr. Virat Shah and Mr. Alok Shah. RRMIL possesses a long track record of about three decades of operations in manufacturing & trading of various steel products. The company has a portfolio of over 20 products and has catered to over customers across the globe over the years. As a result of its long-standing existence, the company has established long-term relationships with its various customers, suppliers and other stakeholders.

**Liquidity**: Stretched
The liquidity position remained stretched marked by tightly matched accruals to repayment obligations. The average utilization stood at ~75% for the past 12 months ended February 2025. The current ratio stood low at 1.04x as on March 31, 2024, (vis-à-vis 0.99x as on March 31, 2022) while the quick ratio stood weak at 0.48x as on March 31, 2024 (vis-à-vis 0.39x as on March 31, 2023). The cash flow from operations stood positive at Rs. 7.15 crores in FY24 (vis-à-vis Rs. 3.61 crore in FY23). The company also had cash and liquid investments of Rs. 2.79 crores as March 31, 2024.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

## Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Short Term Instruments]
[Iron & Steel]
[Wholesale Trading]

## About the company and industry

### Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Commodities | Metals & Mining | Diversified Metals | Diversified Metals |

Established in the year 1995, RR Metalmakers is primarily engaged in trading of iron ore, steel and steel products. The company is promoted by Mr. Virat Shah and Mr. Alok Shah. RRMIL is primarily engaged in trading of roofing sheets, galvanised coils, wire rods etc. The company is an authorized distributer of JSW, TATA and Arcelormittal through its facilities located at Wada and its manufacturing facility is located at Ahmedabad.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | December 31, 2024 (UA) |
|---|---|---|---|
| Total operating income | 84.17 | 96.39 | 50.39 |
| PBILDT | 2.88 | 5.94 | 4.15 |
| PAT | -1.03 | 1.05 | 1.24 |
| Overall gearing (times) | 6.42 | 4.74 | NA |
| Interest coverage (times) | 0.72 | 1.35 | 1.45 |

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated**: Annexure-4

**Lender details**: Annexure-5

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned and Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 6.50 | CARE B+ (RWD) |
| Non-fund-based - ST-Letter of credit | | - | - | - | 18.50 | CARE A4 (RWD) |

**Annexure-2: Rating history for last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Non-fund-based - ST-Letter of credit | ST | 18.50 | CARE A4 (RWD) | 1)CARE A4 (RWD) (11-Mar-25)<br><br>2)CARE A4 (RWN) (09-May-24) | 1)CARE A4 (13-Mar-24) | - | - |
| 2 | Fund-based - LT-Cash Credit | LT | 6.50 | CARE B+ (RWD) | 1)CARE B+ (RWD) (11-Mar-25)<br><br>2)CARE B+ (RWN) (09-May-24) | 1)CARE B+; Stable (13-Mar-24) | - | - |

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Non-fund-based - ST-Letter of credit | Simple |

## Annexure-5: Lender details

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|---|
| To view the lender wise details of bank facilities please click here |

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

## Contact us

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**About us:**
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